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## Bosnia-Hercegovina

### Poultry and Products

### Market Update

### 2004

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**Report Highlights:**

Bosnian poultry consumption has been increasing for several years with domestic production growing as well. At present, there is a shortage of poultry meat for processing, and Bosnian processors find imported poultry meat cheaper than locally produced product. However, market opportunities for U.S. poultry products are still somewhat limited because of relatively high protective tariffs and competition by neighboring suppliers who enjoy free trade agreement provisions.

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Vienna [AU1]  
[BK]

**Market Overview**

Bosnia and Herzegovina's (BiH) population of 3.8 million consumes about 15 kg of chicken meat and 150 eggs per capita per year. Total consumption for poultry meat is estimated at 50,000 MT and 570 million for eggs. Domestic production meets approximately two-thirds of the demand for chicken meat and shell eggs. Production of broilers is approximately 20 million birds. The stock of layers is about 2 million birds with total production of around 400 million eggs.

A few years ago the market for processed poultry meat was rather poor and only fresh/frozen whole chickens, leg quarters, and, at times, chicken lunchmeat, could be found for sale. There are now a variety of processed meat products on the market such as breast filet, chicken kabobs with peppers, marinated chicken legs and mixed cuts that have been prepared for barbecuing. These products are very popular among people with higher incomes. Chicken is the most popular form of poultry. Turkey is rarely produced in BiH, and consumers are generally not familiar with it in processed products.

Domestic production is expected to grow further because local demand is high, and there is some excess production capacity. Given that purchasing power in BiH is quite low by European standards, poultry meat and products are a good source of protein relative to other meats. In addition, steady outbreaks of cattle, sheep and pig diseases in the country (e.g., q-fever, brucellosis, blue tongue, and classical swine fever) have left consumers wary of other meat products.

Locally produced chicken used to cost more to produce than foreign products because of the poorer stock of broiler genetics in the country, less experienced management, and a lack of a domestically produced feed supply. In 1999 the Government decided to protect poultry producers by introducing an import duty of 10% ad valorem plus 2 KM (\$1.25) per kilogram of chicken meat. Shortly after, BiH signed free trade agreements (FTA) with major suppliers Slovenia (not valid since May 2004 as they entered the European Union) and Croatia. These FTAs are one of many reasons for local producers to protest and require more support in terms of production subsidies. Farmers think that veterinary taxes are also high and an additional burden to producers. Access to loans is generally limited and interest rates are high. Also, capacities for production of mechanically de-boned meat (MDM) are undeveloped, partially because processing industries find locally produced MDM too expensive, and they prefer imported frozen meat and lower quality cuts for processing. At the moment, producers are keeping stocks of 3,000 tons of frozen chicken meat because of its high price.

The situation is getting better for local producers in terms of genetics and management. Current obstacles to industry expansion include the poor quality of slaughter facilities and the lack of refrigerated storage in some parts of the country. However, there are some new/renewed facilities in the pipeline. Market opportunities for American products are at the moment limited because of relatively high protection tariffs and free trade agreements signed with neighboring countries.

**Policy Issues**

In 1999, the government introduced protective tariffs on poultry imports, and that was the main reason for the growth in domestic production. Recently an amendment to the Customs Tariff Law was proposed but not passed by the BiH Parliament to introduce duty free import quota of 2,268 t for HS 0207141000 (poultry meat, cuts, frozen, boneless). The quantity was based on the estimated processing industry needs for three months with the possibility of renewal each three months. This duty free import would have been allowed only to processors that purchased locally produced chicken meat, e.g. for 1 kg of locally purchased meat, 3 kg would be imported duty free. The Government proposed this to allow

a supply of cheaper raw meat for the meat industry and also to stimulate domestic production of raw meat. Farmers protested against it because the last time a duty free quota was introduced in December 2003, the processors didn't keep their promises to buy locally produced chicken meat first.

Production subsidies are different in the two Entities<sup>1</sup> and paid separately by the Entity Governments of Federation and the Republika Srpska. The Federation of Bosnia and Herzegovina supports production of broilers with 0.30 KM (\$0.18) per bird and layers with 1 KM/bird (\$0.62). The Republika Srpska supports production of parent flocks with 2.00 – 2.50 KM (\$1.25 - \$1.56) per bird and layers with 0.50 KM (\$0.31) per bird. However, amount of subsidies and actual payments heavily depend on the Entities' annual budgets for agriculture and the general availability of funds.

### Advantages & Challenges

Advantages:

- Demand for poultry meat is increasing; demand is expected to continue to grow (poultry meat is considered healthier than red meats);
- Competitively low price for certain U.S. products (e.g. leg quarters)
- Shortage of mechanically de-boned meat for the processing industry

Challenges:

- Reservations towards GMO and "hormone treated" products associated with U.S. agriculture and
- Protection tariffs/levies raise the final price of imported products
- Free trade agreements signed with big suppliers (e.g. Croatia)

### Trade

In 2003 and 2002, 75% - 80% of all poultry imports originated from Holland, Slovenia, Croatia and Austria. Croatia was the largest exporter to BiH in 2003 with more than 20% of market share. Holland was the largest exporter in 2002 with 30% of total market share and in 2001 with 20% of total market share. Official statistics indicate that BiH imported around 13,000 tons of poultry meat, eggs and processed products in 2003, 15,000 tons in 2002 and 11,000 tons in 2001. Post considers the official trade statistics as inaccurate, because the Republika Srpska reported only 1,240 ton of total poultry imports in 2003 and 613 ton in 2002 while the Federation imported more than 10,000 tons in both years. Exports are usually stable around 500 tons.

Table 2: Structure of imports in 2002

<b>Product</b>	<b>Quantity (t)</b>	<b>Value of imports (million \$)</b>	<b>% of market share ( based on value)</b>
Live poultry	51	1.03	5.96
Eggs	152	0.51	2.95
Poultry Meat	9,188	8.73	50.52
Processed products	1,628	7.01	40.57
Total:	11,019	17.28	100

Source: FBiH and RS Institutes for Statistic

<sup>1</sup> Under the 1995 Dayton Peace Agreement, Bosnia and Herzegovina (BiH) is divided into two Entities: the Federation of Bosnia and Herzegovina (F BiH) and Republika Srpska (RS). There is also the Brcko District with a special administrative status. Each Entity and District has its Ministry of Agriculture and there is no state-level ministry of agriculture.

There are several big companies that serve as reproduction and production centers (e.g. Posavina Koka Orasje, Kokodzada Gracanica, MI Ovako Sarajevo, Agrovet Gradacac, etc.) and hundreds of small and medium sized poultry farms. A general weakness is absence of good slaughtering and cold storage capacities, but new facilities are likely to start operating in near future (e.g. Zivinoprodukt, Srbac with capacity of 18,000 birds per shift).

With regard to the processing industry, there are few big producers of poultry products (e.g. meat industries Lijanovici, "Ovako" and "Stanic") and a shortage of raw materials (de-boned chicken meat).

### **Tariff Rates**

Currently, there are no quantitative restrictions for imports of poultry meat and products to country. For chicken meat (HS 0207 11 – HS 0207 24) tariffs are 10% + 2.00 KM/kg (\$1.25) and for other chicken meat and turkey meat tariff is 10% + 1.50 KM (\$0.94). For eggs tariff is zero. For processed chicken and turkey products tariff is 10% + 3.50 KM (\$2.18).

The import duty for Croatia and Serbia & Montenegro is zero and Macedonia pays 40% of total duty due to free trade agreements signed between the countries. There is 1% customs registration fee paid for all customs items.

### **Retail Prices**

Locally produced chilled whole chicken costs from KM 3.50 (\$2.19) and more, while imported Croatian and Slovenian (Cekin and Perutnina) whole chicken costs from KM 4.50 (\$ 2.81) and more. Chicken filet, locally produced costs around KM 10.00 (\$6.25), while filet imported from Croatia (Cekin) for example costs KM 12.20 (\$7.62).

### *General Import and Inspection Procedures*

The State Veterinary Office (SVO) issues "prior import approvals" for import and transit of live animals, animal products, veterinary medicines, and animal feed and waste (forms available from <http://www.vet.gov.ba/>). The SVO also sets health requirements for all animal origin products, which are generally in line with those of the Office of International Epizootics (OIE). The requirements can be obtained directly from the SVO or from the FAS Sarajevo office (see contact information below). The cost of SVO approval is 350 KM (approx. \$219). The maximum time for processing is 30 days from date of submission. Approvals are valid for 60 days.

Imported animals/products must be accompanied with standard documents that follow each shipment and by veterinary health certificates issued by relevant authorities of exporting countries and are subject to veterinary inspections at border crossings and sanitary and market inspections at customs points.

The Ministry of Foreign Trade and Economic Relations (MFTER) issues final import permits for animals for reproduction and semen, based on SVO prior approvals (for more information see report #BK 3001 that can be downloaded from [Attache Reports](#)).

Six border crossings have been designated for the import and transit of live animals and animal products. They include: Orasje, Gradiska, Izacic, Doljani (on the border with Croatia), Raca (on the border with Serbia) and the Sarajevo Airport.

All foreign exporting facilities of animals and animal products have to register with the BiH State Veterinary Office on a first time basis (see report #BK 4006 that can be downloaded from [Attache Reports](#))

#### Laws and regulations

The *quality* of poultry meat and products is regulated by ordinances inherited from former Yugoslavia (Official Gazette No. 1/81, 51/88, 55/91). In addition, the SVO issues specific requirements - those requirements are in accordance with the Office International des Epizooties (OIE) requirements (e.g., no imports from areas with Newcastle disease outbreaks within past 60 days may occur etc.).

Food products must be tested for microbes. The ordinance on "Microbiological Wholesomeness of Food" (former Yugoslavia Official Gazette, No. 43/83 and No. 43/89) provides maximum content of different microorganisms in food products.

*Labeling:* - the Law on Sanitary Correctness of Food and Goods of General Use (old Yugoslavia Official Gazette 53/91) regulates labeling requirements for food. According to the Law, a label must be present in both retail and bulk packaged foods and must indicate the following: expiry date, type and content of food additives, type and content of added vitamins, minerals, and other ingredients added to enrich the product's nutritional value. The Law on Quality Control of Imported and Exported says that a label must clearly indicate the name of the product, manufacturer's complete address, name and address of the importer, and important information such as net weight in metric units, ingredients, instructions for use (if necessary) and storage and any important information and warnings. If an original label is in English (e.g. standard U.S. label) or any other language, the seller is obliged to prepare translated stick-on labels and deliver them together with imported products. It is the importer's obligation to stick those translated labels on products prior to retail distribution. There are no specific *packaging* requirements.

*Additives and pesticides & other contaminants:-* food additives are regulated by the ordinance on "Quality of Foods Additives" (former Yugoslavia Official Gazette 39/89).

The ordinance on "Pesticides and other Contaminants in Food" says that hormones and antibiotics are generally not allowed in food products (former Yugoslavia Official Gazette, No. 59/83, 79/87).

Related reports: BK 2011

Exchange Rate on June 14, 2004

\$1.00 = 1.62 KM (Convertible Mark)

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